

CITY OF TABOR  
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
AUGUST 1, 2013 THROUGH JULY 31, 2014

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City of Tabor

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Denise Hammer	Mayor	January,2016
Ross Silcock	Council Member	January 2016
Randy Wirth	Council Member	January 2018
Gean Clapper	Council Member	January 2016
Arlene Bartholomew	Council Member	January 2018
Jim Switzer	Council Member	January 2018
Patricia Weldon	City Clerk	Retired June 2014
Jami Meston	City Clerk	Indefinite
Matt Woods	Attorney	Indefinite

# MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 4, 2014

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

**Harlan Office:**

2309 B Chatburn Ave.  
P.O. Box 551  
Harlan, IA 51537-0551

Ph. (712) 755-3366  
Fax (712) 755-3343

**Avoca Office:**

305 W. High Street  
P.O. Box 609  
Avoca, IA 51521-0609

Ph. (712) 343-2379  
Fax (712) 343-5012

www.muxfeldt-cpa.com  
firm@muxfeldt-cpa.com

**Licensed In:**

Iowa  
Missouri

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of City Council:

I have performed an agreed-upon procedures engagement of the City of Tabor pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide certain minimum oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Tabor for the period August 1, 2013 through July 31, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards. Issued by the Comptroller general of the United States.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
7. I reviewed and tested selected receipts for accurate accounting and consistency with the COA.
8. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
9. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
10. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Tabor, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Tabor, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tabor and other parties to whom the City of Tabor may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Tabor during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Murphy Associates, CPA, P.C.*

## DETAILED RECOMMENDATIONS

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DETAILED RECOMMENDATIONS  
FOR THE PERIOD AUGUST 1, 2013 THROUGH JULY 31, 2014

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.
- (7) Accounting System – performing all general accounting functions including journal entries and having custody of assets.
- (8) Computer system – performing all general accounting functions and controlling all data input and output.
- (9) Investing – recordkeeping, investing, custody of investments and reconciling earnings,
- (10) Debt – recordkeeping, compliance and debt payments.

For the City Library, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

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(A) Segregation of Duties, (continued)

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) City Council Minutes – Chapter 372.13 (6) of the Code of Iowa requires that the minutes of all City Council proceedings be published within fifteen days of the meeting and include a summary of total receipts received by each fund, a summary of total disbursements from each fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published as required. Although the minutes were published within fifteen days, none of the minutes tested included total disbursements summaries by fund. There were two instances found during testing where resolutions were passed with one or more Council members absent. There was two instances where minutes were not signed.

Recommendation – The City should comply with the Code of Iowa and publish minutes that include a summary of disbursements by fund. The city should comply with Chapter 380.4 of the Code of Iowa and refrain from voting on ordinances, amendments and resolutions unless all seats of the council are present at such meeting. The City should consult legal counsel as to the validity of resolutions and ordinances passed without proper representation of all Council seats. The City should comply with Chapter 373.13 (6) of the Iowa Code and have all Council minutes signed by the appropriate official.

(C) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in general government. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.



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- (D) Disbursement – Invoices and other supporting documentation was not present for one disbursement tested.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

- (E) Transfers – An Emergency Fund transfer was between funds was not approved by the City Council.

Recommendation – The City Council should approve all inter fund transfers prior to the actual transfer and document the approval and amounts as part of the Council minutes.

- (F) Payroll – Although time sheets are maintained for hourly employees, there are no time sheets for salaried employees to adequately track compensation time and there is no indication that the time worked has been reviewed or approved by appropriate supervisory personnel prior to payment.

Recommendation – Appropriate supervisory personnel should review and approve all employee hours before payroll checks are issued. .

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- (G) Pre-numbered Receipts – Pre-numbered receipts were not issued for all collections.
- Recommendation -- The City should establish a protocol for using pre-numbered receipts for collections of City funds.
- (H) Financial Condition – The Water Enterprise, and Sewer Enterprise Funds had deficit balances
- Recommendation – The City should investigate alternatives to eliminate the deficit balances in order to return these funds to a sound financial condition.
- (I) Bank Reconciliations – The cash and investments balances in the City’s general ledger were not reconciled to the bank and investment accounts balances monthly. Although the cash balances in the City’s general ledger were reconciled monthly, there was no independent review of the bank reconciliations.
- Recommendation – The City should establish procedures to ensure bank and investments account balances are reconciled to the general ledger monthly and an independent person should review the reconciliations and document the review by signing or initialing the reconciliation.
- (J) Journal Entries – Journal entries are not reviewed and approved by an independent person.
- Recommendation – An independent person should review and approve all journal entries. Approval should be documented by signing or initialing and dating the journal entries.

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- (K) Local Option Sales Tax – Local option sales tax (LOST) receipts are recorded in the general fund. The LOST ballot requires the receipts be used for specific purposes. During the year, LOST disbursements were not tracked in a manner which documented compliance with LOST ballot referendum provisions and annual City Council resolutions.

Recommendation – The City should establish a Special Revenue, Local Option Sales Tax Fund to record the collection, disbursement and balance of all LOST funds to document Compliance with the LOST ballot referendum provisions.

- (L) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back Of cancelled checks as required by Chapter 554D.114 pf the Code of Iowa.

- (M) Separately Maintained Records – The City Library maintains separate accounting records. The transactions are included in the City's Annual Financial Report, but not on monthly reports and the disbursements are not approved by the City Council before issuance.

Recommendation – Chapter 384.20 of the Code of Iowa states in part “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity of all City accounts should not only be included in the city's accounting records, but should be approved by the City Council before issuance of disbursements of the Library.

- (N) Investments – An accounting record or register is not maintained for each investment.

Recommendation – An accounting record or register for each investment which includes cost, description, date purchased, interest rate, maturity date and identifying number should be maintained.

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- (O) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies and procedures for:

1. Password privacy and confidentiality.
2. Requiring password changes periodically.
3. Allowing only authorized personnel to request password resetting.
4. Not allowing another employee to request a reset of password for another employee and then having access to this password.

Recommendation – The City Should develop written policies and procedures addressing the above items to improve the City’s internal Control over the computer system.

- (P) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

- (Q) Credit Card Policy – The City has a credit card for use by various employees while on City business. The City does has not adopted a formal policy to regulate the use of the credit card and to establish procedures for proper accounting of the credit card.

Recommendation – The City should adopt a formal policy regulating the use of the City’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchase. The policy may also set a dollar limit per purchase.

CITY OF TABOR

TABOR, IA 51653

**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Tabor, Iowa for the period August 1, 2013 through July 31, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, cash receipts, disbursements, financial reporting, journal entries, accounting system, computer system, investing, and debt along with controls over the accounting of the City Library.

Muxfeldt Associates, CPA, P.C. recommends the City comply with Chapter, 372.13 (6).

Muxfeldt Associates, CPA, P.C. also recommends certified budget be amended, have supporting documentation of disbursements paid, payroll related issues, approval of all transfers approval of journal entries, inclusion of separately maintained records in the City's records be approved, reconciliation of utility billings, electronic check retention, establish a LOST Special Revenue Fund, maintain an investment register and develop written policies for the computer system and credit card usage..

A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at

<http://auditor.iowa.gov/reports/reports.htm>.